



Stat. of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

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Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

March 6, 2003

Charles C. Tabaracci
Interpace Industries, Incorporated
736 West Harrisville Road
Ogden, Utah 84404

Re: Acceptance of "Transitional Reclamation Contract" and Reclamation Surety, and Status of Revised Mining and Reclamation Plan, Interpace Industries, Inc., Clinton Mine, M/049/006, Utah County, Utah

Dear Mr. Tabaracci:

On March 4, 2003, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of "transitional" reclamation surety for Interpace Industries, Inc.'s Clinton Mine. The transitional reclamation surety in the amount of \$88,700 is in the form of a Letter of Credit (#STR20714) issued by Bank One. *The transitional surety is intended to temporarily cover the anticipated reclamation costs for the current 49 acres of unpermitted and bonded disturbance at the Clinton mine. The transitional surety will remain in place until the revised large mining notice of intention is approved, but for no longer than a 12 month period.*

As was outlined in our February 20, 2003 letter, all mitigation items outlined in the January 14, 2003 Notice of Non-Compliance have been satisfied. The Division will need to inspect the site to ensure that the perimeter boundary markers have been properly installed, before we can officially abate the Notice of Non-Compliance. You may continue mining operations within the current 75 acre disturbed area footprint. Please assure that you do not mine or expand beyond the 75 acre disturbed area footprint.

When we finalize our review of your permit revision and reach the tentative approval stage, we will publish our decision to grant tentative approval of the expanded project in the local area and Salt Lake newspapers. *Before the large mine plan is approved, the amount of surety may have to be adjusted accordingly to reflect the final reclamation plan details. A new Reclamation Contract to cover the entire 75 acre area must also be submitted to the Division, prior to the end of the 30-day public comment period.*

Page 2
Charles Tabaracci
M/049/006
March 6, 2003

Enclosed please find copies of the fully signed and executed "transitional" Reclamation Contract and surety bond forms for your files.

Due to our current workload, we will not be able to complete our review of your revised plan within the usual 30-day timeframe (by March 14th). We hope to complete the review within the next 45 days. Thank you for your assistance as we proceed to finalize this revised permit application process. Please contact me at (801) 538-5286 or Lynn Kunzler at 538-5310 if you have any questions regarding this letter.

Sincerely,

A handwritten signature in black ink that reads "D. Wayne Hedberg". The signature is written in a cursive, flowing style.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
cc: Aaron Hancock, Interpace Industries, Inc.
Lynn Kunzler, DOGM
Enclosure: Transitional RC & surety
O:\M049-Utah\M049006-ClintonPit\final\transitional-accept-ltr.doc

FORM MR-TRC
RECLAMATION CONTRACT
(SMO - LMO transition)
(Revised April 17, 2001)

DOGM File Number M/049/006
Effective Date March 4, 2003
Other Agency File Number n/a

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECEIVED
FEB 26 2003
DIV. OF OIL, GAS & MINING

TRANSITIONAL RECLAMATION CONTRACT
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) (Mineral Mined)	<u>M/049/006</u> <u>Fireclay</u>
"MINE LOCATION": (Name of Mine) (Description)	<u>Clinton Mine</u> <u>SE 1/4 of sec 9 T5S R1W</u> <u>approx 5 miles west of Lehi</u> <u>in Utah County</u>
"DISTURBED AREA": (Disturbed Acres) (Legal Description) (Topographic Map)	<u>75 acres</u> <u>(refer to "Attachment A")</u> <u>("Attachment C", disturbed area boundary)</u>
"OPERATOR": (Company or Name) (Address) (Phone)	<u>Interpace Industries, Inc.</u> <u>736 W Harrisville Rd.</u> <u>Ogden, UT 84404</u> <u>(801) 782-7933</u>
"OPERATOR'S REGISTERED AGENT": (Name) (Address) (Phone)	<u>C.L. Patterson</u> <u>736 W. Harrisville Rd.</u> <u>Ogden, UT 84404</u> <u>(801) 782-7933</u>
OPERATOR'S OFFICER(S)":	<u>Marianne Rhine - President</u> <u>Charles C. Tabaracci - V.P. Finance</u>

OPERATOR'S OFFICER(S)":

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY" (Name)
(Policy or Acct. No.)

Bank One

"SURETY AMOUNT":

\$88,700

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY"

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Interpace Industries, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division"). A Reclamation Contract is required under Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules.

WHEREAS, Operator has exceeded the approved five (5) acre threshold for a small mining operation, R647-3-113, and Operator desires to continue mining operations for an "interim" period of not more than 12 months, upon areas already disturbed totaling 75 acres. Within 90 days of the filing of this contract and reclamation surety, the operator agrees to file a complete Notice of Intention to Commence Large Mining Operations (Form MR-LMO) describing a detailed mining and reclamation plan for continued operations at this site. An approved Large Mining Notice of Intention must be in place at the end of a 12 month time period following Division receipt of this contract. Any extension of this filing time period will be in writing and at the sole discretion of the Division.

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division.

The approved form and amount of surety is attached hereto as Attachment B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Division in writing. If the form of surety expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the surety, the Operator shall provide a replacement surety in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement surety, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.

3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules including but not limited to, the previously accepted Small Mining Notice, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies 1) that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, and the previously accepted Small Mining Notice, as amended , or 2) until a mining and reclamation plan for a large mining operation has been approved by the Division and the final Reclamation Contract and surety are in place.
6. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
7. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State of Utah, and is in addition to any other rights and authorities the Division and Board have to seek relief from the Operator.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.

10. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an Order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an Order to revoke the Small Mining Notice of Intention, order reclamation, or order forfeiture of the surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract including the Small Mining Notice of Intention, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Interpace Industries, Inc.
Operator Name

By Charles C. Tabaracci
Authorized Officer (Typed or Printed)

Vice President Finance
Authorized Officer - Position

[Signature] - VP Finance
Officer's Signature

2/18/03
Date

STATE OF Idaho
COUNTY OF Idaho) ss.

On the 18 day of February, 20 03, Charles C. Tabaracci
personally appeared before me, who being by me duly sworn did say that he/she is the Vice President
of Interpace Industries, Inc and duly
acknowledged that said instrument was signed on behalf of said company by authority of its
bylaws or a resolution of its board of directors and said Company
duly acknowledged to me that said company executed the same.

[Signature]
Notary Public
Residing at [Address]

1/25/2005
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton
Lowell P. Braxton, Director

Date 3/4/03

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 4th day of March, 2003, Lowell P Braxton
personally appeared before me, who being duly sworn did say that he, the said
Lowell P Braxton is the Director of the Division of Oil,
Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to
me that he executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: Salt Lake City

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

Interpace Industries, Inc.
Operator

Clinton Mine
Mine Name

M/049/006
Permit Number

Utah County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands disturbed is:

Portions of the N 1/2 of the SE 1/4 and the N 1/2 of the SE 1/4 of the SE 1/4 of sec 9 T5S R1W SLBM Utah County, UT

BANK ONE, NA - 1717 MAIN STREET, 11TH FLOOR, DALLAS, TEXAS 75201

TELEPHONE: 1-888-595-9392

IRREVOCABLE STANDBY LETTER OF CREDIT NO. :

DIV. OF OIL, GAS & MINING

FEB 19 2003

RECEIVED

**PLACE AND DATE OF ISSUE:
DALLAS, TEXAS 02/17/2003**

**DATE AND PLACE OF EXPIRY:
01/24/2005 IN DALLAS, TEXAS**

**APPLICANT:
INTERPACE INDUSTRIES, INC.
736 WEST HARRISVILLE ROAD
OGDEN, UTAH 84404**

**ADVISING BANK:
NOT APPLICABLE**

**BENEFICIARY:
UTAH DIVISION OF OIL, GAS AND MINING
1594 WEST NORTH TEMPLE, SUITE 1210
BOX 145801
SALT LAKE CITY, UT 84114-5801**

**AMOUNT: USD88,700.00
EIGHTY EIGHT THOUSAND
SEVEN HUNDRED AND NO/100
U.S. DOLLARS**

GENTLEMEN AND LADIES:

1. BANK ONE, NA OF DALLAS, TEXAS, HEREBY ESTABLISHES THIS IRREVOCABLE LETTER OF CREDIT (THE "LETTER OF CREDIT") IN FAVOR OF THE UTAH DIVISION OF OIL, GAS AND MINING ("DIVISION") FOR AN AGGREGATE AMOUNT NOT TO EXCEED \$88,700.00 (EIGHTY EIGHT THOUSAND SEVEN HUNDRED AND NO/100 U.S. DOLLARS) ("FACE AMOUNT") EFFECTIVE IMMEDIATELY.
2. THIS LETTER OF CREDIT WILL EXPIRE UPON THE FIRST EVENT SET FORTH AS FOLLOWS: (A) 5:00 O'CLOCK P.M. (DALLAS, TEXAS TIME) ON JANUARY 24, 2005 OR (B) THE DATE UPON WHICH SUFFICIENT DOCUMENTS ARE EXECUTED BY THE DIVISION TO RELEASE INTERPACE INDUSTRIES, INC. ("OPERATOR") FROM FURTHER LIABILITY FOR RECLAMATION OF THE CLINTON MINE M/O49/006 WITH NOTICE TO BANK ONE, NA BY THE DIVISION ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT WITH DIRECTIONS FOR CANCELLATION.
3. THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED FOR SUCCESSIVE PERIODS OF ONE YEAR FROM THE CURRENT OR ANY FUTURE EXPIRATION DATE UNLESS BANK ONE, NA GIVES NOTICE TO THE DIVISION AT LEAST 90 DAYS PRIOR TO THE EXPIRATION DATE THAT THE BANK ELECTS NOT TO RENEW THE LETTER OF CREDIT.
4. FUNDS UNDER THE LETTER OF CREDIT ARE AVAILABLE AGAINST THE DIVISION'S SIGHT DRAFT, IN THE FORM OF EXHIBIT A, SPECIFYING LETTER OF CREDIT NO. STR20714 DELIVERED TO THE OFFICE OF BANK ONE, NA, 1717 MAIN STREET, 11TH FLOOR TX1-2490, DALLAS, TEXAS 75201. AT THE DIVISION'S SOLE ELECTION, THE DIVISION MAY PRESENT SIGHT DRAFTS FOR LESS THAN THE FACE AMOUNT SO LONG AS THE AGGREGATE AMOUNT OF ALL SIGHT DRAFTS DOES NOT EXCEED THE FACE AMOUNT. EACH DRAFT MUST BE ACCOMPANIED BY A CERTIFICATE IN THE FORM OF EXHIBIT B, SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE DIVISION.

****CONTINUED ON PAGE TWO WHICH FORMS AN INTEGRAL PART OF THIS CREDIT****

****PAGE TWO WHICH FORMS AN INTEGRAL PART OF LETTER OF CREDIT NO.**

5. IF THE BANK RECEIVES THE DIVISION'S SIGHT DRAFT(S) AND CERTIFICATE(S) AS PROVIDED IN PARAGRAPH NO. 4 ABOVE ON OR BEFORE THE EXPIRATION OR TERMINATION OF THIS LETTER OF CREDIT, BANK ONE, NA WILL MAKE SUCH AMOUNT AS THE DIVISION MAY SPECIFY, WITHIN THE LIMITS OF THE SECOND SENTENCE OF PARAGRAPH NO. 4 OF THIS LETTER OF CREDIT, AVAILABLE TO THE DIVISION NO LATER THAN THE CLOSE OF BUSINESS, DALLAS, TEXAS TIME, ON THE SECOND BUSINESS DAY FOLLOWING BANK ONE, NA'S RECEIPT OF THE SIGHT DRAFT AND CERTIFICATE AND IN SUCH A MANNER AS THE DIVISION MAY SPECIFY.
6. THE BANK WILL GIVE PROMPT NOTICE TO THE OPERATOR AND TO THE DIVISION DIRECTOR OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE BANK OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS.
7. THE LETTER OF CREDIT WILL BE GOVERNED BY ARTICLE 5 OF THE UCC OF THE STATE OF UTAH AND SHALL BE SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDIT, 1993 REVISION, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500, AS THE SAME MAY BE AMENDED AND IN EFFECT FROM TIME TO TIME ("UCP"). IN THE EVENT OF A CONFLICT BETWEEN ARTICLE 5 AND THE UCP, ARTICLE 5 SHALL GOVERN.
8. ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT WILL BE ADDRESSED TO BANK ONE, NA, 1717 MAIN STREET, 11TH FLOOR TX1-2490, DALLAS, TEXAS 75201, REFERENCING LETTER OF CREDIT NO. STR20714.

VERY TRULY YOURS,

BANK ONE, NA

BY: Cathy Beynon
(NAME TYPED OR PRINTED)

Cathy Beynon
(AUTHORIZED SIGNATURE)

TITLE: Assistant Vice President

**EXHIBIT A – SIGHT DRAFT
TO
LETTER OF CREDIT NUMBER STR20714**

DATE

CITY, COUNTY

LETTER OF CREDIT NO.

PAY TO THE ORDER OF: UTAH DIVISION OF OIL, GAS AND MINING

DOLLARS

**TO: BANK ONE, NA
1717 MAIN STREET, 11TH FLOOR
TX1-2490
DALLAS, TEXAS 75201**

**UTAH DIVISION OF OIL, GAS AND MINING
1594 WEST NORTH TEMPLE, SUITE 1210
BOX 145801
SALT LAKE CITY, UTAH 84114-5801**

**BY: _____
AUTHORIZED SIGNATURE**

**EXHIBIT B
TO
LETTER OF CREDIT NO. .**

I, _____ A DULY AUTHORIZED REPRESENTATIVE OF THE UTAH DIVISION OF OIL, GAS AND MINING, HEREBY CERTIFY THAT (1) THE DRAWING IN THE AMOUNT OF \$ _____, BY SIGHT DRAFT ACCOMPANYING THIS CERTIFICATE, UNDER LETTER OF CREDIT NO. STR20714 DATED FEBRUARY 17, 2003 ISSUED BY YOU IS PERMITTED UNDER THE PROVISION OF THE LETTER OF CREDIT, (2) THE LETTER OF CREDIT HAS NEITHER EXPIRED NOR TERMINATED PURSUANT TO ITS TERMS, (3) THE AMOUNT OF THE SIGHT DRAFT, TOGETHER WITH ANY AMOUNTS PREVIOUSLY DRAWN UNDER THE LETTER OF CREDIT, DOES NOT EXCEED THE FACE AMOUNT, AND (4) THE UTAH BOARD OF OIL, GAS AND MINING, AFTER NOTICE AND HEARING, HAS ENTERED AN ORDER WHICH HAS NOT BEEN STAYED, ORDERING FORFEITURE OF LETTER OF CREDIT NO. _____ IN ACCORDANCE WITH APPLICABLE LAW. PROCEEDS OF THIS DRAWING WILL BE UTILIZED IN FULL TO PAY THE EXPENSES RELATING TO THE RECLAMATION LIABILITY, TOGETHER WITH THE COSTS OF COLLECTION, INCLUDING ATTORNEYS FEES, FOR THE _____ [MINE] _____
[MINE PERMIT #].

THE UTAH DIVISION OF OIL, GAS AND MINING

BY: _____
AUTHORIZED SIGNATURE

DATE: _____

Interpace Industries, Inc

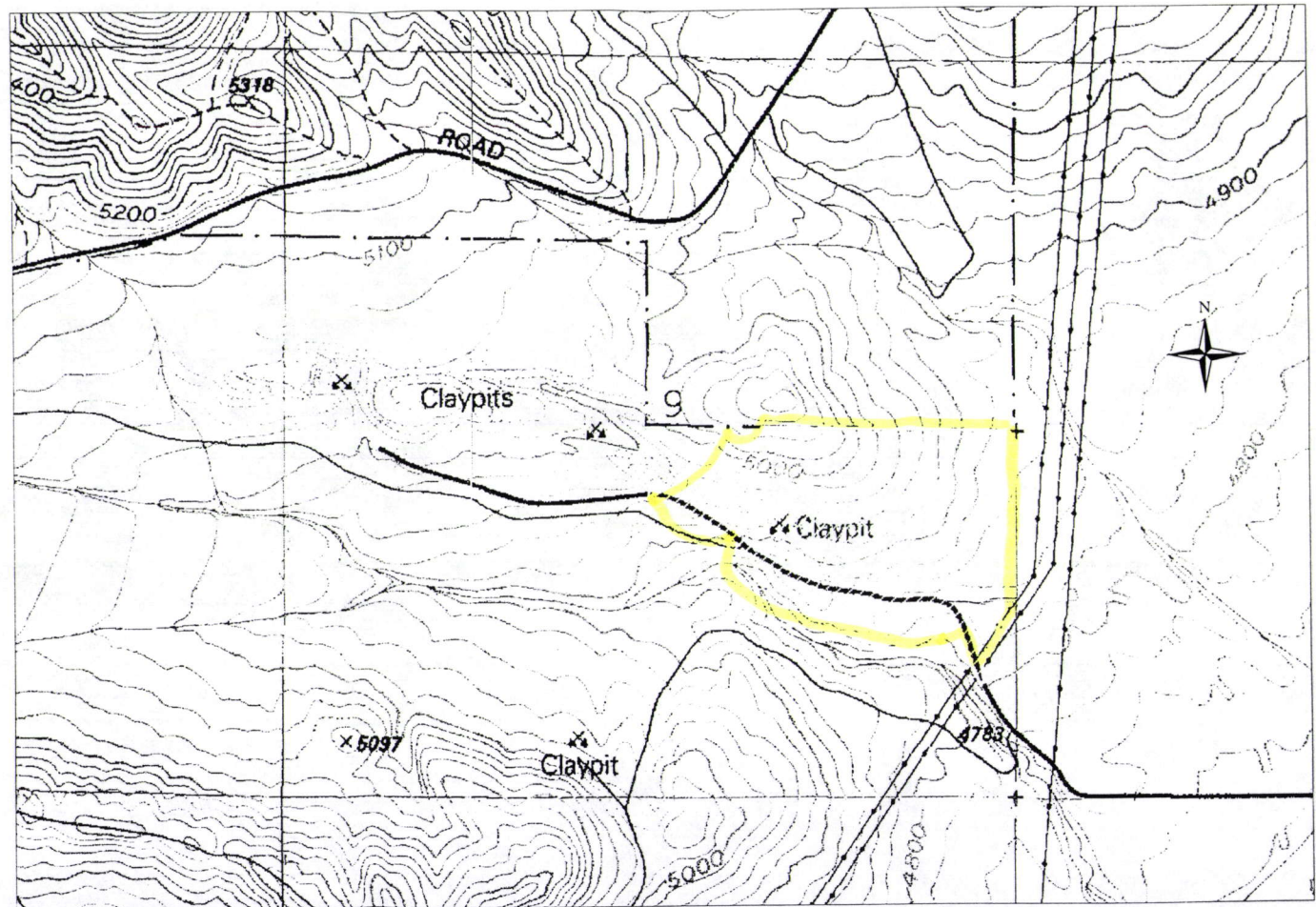
Clinton Mine

M/049/006

**Approximate Disturbed Area (July 2002)
(75 acres)**

SouthEast 1/4 of Section 9
Township 5 South, Range 1 West, SLBM

This product may not meet DOGM standards
for accuracy and content. Different
data sources and input scales may cause
some misalignment of data layers.



Jordan Narrows, Quad

0 400 800 1200 1600 2000 2400 2800 Feet

Prepared 10-15-02 by DOGM